

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA2551

Project Name	CN Yunnan Honghe Prefecture Diannan Center Urban Transport (P101525)
Region	EAST ASIA AND PACIFIC
Country	China
Sector(s)	Urban Transport (90%), General transportation sector (10%)
Theme(s)	City-wide Infrastructure and Service Delivery (100%)
Lending Instrument	Investment Project Financing
Project ID	P101525
Borrower(s)	People's Republic of China
Implementing Agency	Honghe Prefecture Government
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	17-Jan-2014
Date PID Approved/Disclosed	21-Jan-2014
Estimated Date of Appraisal Completion	30-Dec-2013
Estimated Date of Board Approval	15-May-2014
Decision	

I. Project Context

Country Context

During the past three decades, China has experienced unprecedented economic growth, accompanied by rapid urbanization. According to the National Statistics Bureau, China's urban population reached 712 million by the end of 2012, accounting for 52.6 percent of the total population. The United Nations projects that the number of Chinese urban dwellers will grow to nearly 1 billion by 2030, accounting for 20 percent of the total increase in urban population worldwide.

Economic growth and urbanization, however, have taken place disproportionately in different regions of China – for instance, per capita Gross Domestic Product (GDP) in the eastern provinces and the western provinces were RMB 53,350 (US\$ 8,746 equivalent) and RMB 27,731 (US\$ 4,546 equivalent), respectively, and the percentages of urban population were 60.8 percent and 43.0 percent, respectively, in 2011. Efforts to narrow the development gaps between the western region and the eastern region were initiated in 2000 when the central government of China launched the Western Regional Development (WRD) Program. Accordingly, from 2000 to 2009 the central government invested heavily in the western region, supporting 120 key projects at a total cost of RMB 2.2 trillion; the local governments in the western region seized the opportunity to accelerate

their socioeconomic development and enhance their institutional capacity. During that period, the western region registered an average annual GDP growth of 11.9 percent, surpassing the national GDP growth rate.

To further promote inclusiveness and boost shared prosperity, the central government approved the 12th Five-Year Plan (FYP) of WRD. It emphasizes additional support for infrastructure development to minority-concentrated areas and border regions. The Diannan Area (Southern Yunnan Province), where the proposed project is located, is recognized to have such characteristics; and due to its unique geographical and historical position, is expected to become a regional hub of logistics, tourism, energy and trade connecting the South Asian and Southeast Asian countries. Therefore, one of the key aspects identified in the 12th FYP for infrastructure development, i.e., transport, is particularly important to the development of the project area.

Sectoral and institutional Context

Unlike many coastal cities that have completed most of their construction programs of basic urban transport infrastructure in the past decades, small and medium cities in the western region still face the problem of inadequate transport infrastructure and services, which is a major constraint for the residents to access public services and job opportunities. Moreover, economic growth and urbanization are expected to take place faster in the western cities in the next five years under the support of the WRD strategy, resulting in an even faster growth in urban transport demand. Therefore, urban transport investment will remain on the top of the local government's agenda of the western region for the foreseeable future.

Past experience of the more developed Chinese cities on the eastern coast suggests that rapid motorization usually generates or worsens problems such as traffic congestion, air pollution, greenhouse gas emissions, dependence on fossil fuel, and traffic accidents. While it is to some extent unavoidable to construct new urban roads in order to accommodate rapid urban growth, constructing roads alone is not sufficient to meet people's travel demand. Although vehicle ownership is still very low in the small and medium cities in the western region, these cities are already beginning to suffer from traffic congestion and increasing road accidents and the growth trend is tremendous.

Drawing lessons from international and domestic cities with sustainable urban transport systems, both the national and the local governments of China recognize that a systematic approach, which prioritizes the movement of "people" and "goods" rather than "vehicles", needs to be taken in order to meet the travel demand generated from urbanization as well as to avoid the kind of urban transport problems that many Chinese cities have encountered. This approach focuses on public transport, non-motorized transport and road safety. This strategic shift in urban transport planning and development has been reflected in various policy documents promulgated at the national level. The State Council, the highest governing body of the Government of China (GoC), has issued two policy documents on urban public transport in recent years: (i) Directive 46 (October 2005) puts the improvement of urban public transport services as a national priority; and (ii) Directive 64 (December 2012) sets up objectives and specific policy guidance for promoting urban public transport. In addition, three national agencies, i.e., the Ministry of Housing and Urban-Rural Development, the National Development and Reform Commission, and the Ministry of Finance, jointly issued a guidance note on promoting pedestrian and bicycle transport in Chinese cities. Specifically, for cities with a population of less than 1 million, a non-motorized (pedestrian

+bicycle) mode share of over 70% is targeted by 2015.

Introduction to Mengzi City and Jianshui County in Yunnan Honghe Prefecture

Honghe Hani and Yi Autonomous Prefecture (HAP) is located in the south of Yunnan Province and strategically positioned on the Kunming-Hanoi economic corridor. HAP has an area of about 33,000 km² and a population of 4.5 million, among which 48% are ethnic minorities. It consists of three cities (Mengzi, Gejiu and Kaiyuan) and ten counties. The proposed project is located in Mengzi City and Jianshui County.

Mengzi City is the prefectural capital of HAP. It covers a total area of 2,228 km² with a population of 422,600. The urban built-up area reached 30.1 km² in 2012 and concentrated 258,600 urban residents. Per capita GDP and disposable income of urban residents in Mengzi reached RMB 24,410 and RMB 20,504, respectively, in 2012. They are roughly 65 percent and 85 percent of the respective national average levels, indicating the relatively poor status of Mengzi City. It is expected that by 2020, the built-up area in Mengzi will expand to 62 km² with an urban population of 500,000. As a core city on the Kunming-Hanoi corridor, Mengzi is envisaged to become a critical node connecting Yunnan Province and China to South Asia and Southeast Asia, with booming economic and trade activities.

Jianshui County is well-known for its old town with a history of over 1200 years. The total area of 3,789 km² houses a 538,300 population. The urban built-up area reached 14.7 km² in 2012 and concentrated 220,000 urban residents. Per capita GDP and disposable income of urban residents in Jianshui reached RMB 16,699 and RMB 18,439, respectively, in 2012, or roughly 45 percent and 77 percent of the respective national averages. It is expected that by 2015, the built-up area in Jianshui will expand to 20 km² with an urban population of 250,000. In recent years, Jianshui County invested heavily in exploiting the available tourism resources and providing the supporting facilities for tourism development. Annual number of tourists and tourism revenues grew by an average of 17.7 percent and 15.4 percent, respectively, per annum during the 11th FYP period. Such growth is expected to continue with sustained efforts from the local and provincial governments to promote tourism.

Amid the rapid economic growth and accelerated urbanization, both Mengzi City and Jianshui County are facing severe challenges to their urban road network. In both city/county, many links are missing in the existing road network, hampering the mobility and accessibility of the entire area. Approximately half of the existing roads are primary roads, and there is a huge lack of secondary and access roads. As such, there is no clear functional road hierarchy in either Mengzi or Jianshui.

The expansion of the urban area in recent years has resulted in an increase in average trip length and rapid motorization in both city/county. Private car ownership increased by 32 percent in Mengzi and 24 percent in Jianshui from 2010 to 2011, reaching 25,000 and 23,000 respectively by the end of 2011. However, bus services are inadequate – there are only 97 buses in Mengzi and 72 buses in Jianshui. The operation frequency of most bus routes is very low and some urbanized areas are not covered by public transport services. Besides, bus operation speed is slow, and reliability is poor, as buses often experience serious delays both at the junctions and in the road sections. As a consequence, bus mode share in Mengzi is only 9.4% while private car is 8.0% and motorcycle 8.4%; bus mode share in Jianshui is only 8.2% while private car is 10.5% and motorcycle 8.4%.

In addition, HAP has registered a relatively high fatality ratio of transport-related accidents in recent years – for example, in the first half of 2010, there were 78 road traffic fatalities and 114 injuries in HAP, with 18 fatalities in Mengzi and 31 in Jianshui. Both governments of Mengzi City and Jianshui County recognized the urgent need to reverse this trend before motorization worsens the situation further.

Despite the two-digit annual growth rate in recent years, per capita GDP and disposable income in Mengzi City and Jianshui County are still relatively low compared to the national average (RMB 37,735 and RMB 24,168, respectively). There is also a capacity gap for both city/county to tackle the urban transport issues efficiently and cost-effectively. HAP, aware of the challenges and opportunities that it faces, has sought out the technical and financial support of the Bank to an investment project in Mengzi City and Jianshui County, with key focuses on optimizing functional road hierarchy, developing public transport and improving road safety.

II. Proposed Development Objectives

The Project Development Objective (PDO) is to improve the safety, accessibility and efficiency of trips taken by residents in the core urban areas of Mengzi City and Jianshui County.

III. Project Description

Component Name

M1: Road Network Re-functioning and Improvement

Comments (optional)

Component Name

M2: Integrated Corridor Management

Comments (optional)

Component Name

M3: Public Transport Priority

Comments (optional)

Component Name

M4: School Transport Safety Improvement

Comments (optional)

Component Name

M5: Institutional Strengthening

Comments (optional)

Component Name

J1: Core Urban Area Integrated Transport Improvement

Comments (optional)

Component Name

J2: Public Transport Priority

Comments (optional)**Component Name**

J3: Urban Road Network Improvement

Comments (optional)**Component Name**

J4: Institutional Strengthening

Comments (optional)**IV. Financing (in USD Million)**

Total Project Cost:	348.61	Total Bank Financing:	150.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			198.61
International Bank for Reconstruction and Development			150.00
Total			348.61

V. Implementation**A. Institutional and Implementation Arrangements**

Yunnan Province will sign the Project Agreement and be the project's formal implementing agency. It will act through HAP to implement the project. The detailed implementation arrangements are described as follows:

- (a) A Project Steering Committee (PSC), chaired by the Vice Governor of HAP, and comprised department heads of relevant prefectural agencies, the Mayor of Mengzi City and the Governor of Jianshui County, was established to oversee the preparation of the project. The PSC will be maintained throughout the implementation period and key members will meet regularly for reviewing project progress and promptly addressing issues arising during implementation.
- (b) A Project Management Office (PMO) was established at the HAP Housing and Urban-Rural Development Bureau (HURDB) to prepare the project. It will be responsible for overall project management and coordinating the project execution in Mengzi City and Jianshui County during implementation.
- (c) Two Project Execution Offices (PEOs) were established at Mengzi HURDB and Jianshui HURDB to carry out their respective parts of the project. Each PEO will be responsible for procurement management, financial management, engineering design, supervision of all project

activities (including safeguards) and reporting, in accordance with Bank requirements.

According to the experience with other World Bank projects in China, the above arrangements normally work well, particularly when the PSC is strong and active and its members can meet regularly to review project progress. However, this is the Bank's first engagement with HAP, Mengzi City and Jianshui County and they have limited experience with Bank policies and procedures. Substantial trainings on environmental and social safeguards, procurement and financial management have been provided to the PMO and PEOs during project preparation, and will be continued throughout implementation.

B. Results Monitoring and Evaluation

A results framework has been developed (see Annex 1) and will be the basis for project monitoring and evaluation (M&E). Responsibility for collecting the indicators lies with the PMO with inputs from the PEOs. Although the PMO/PEOs do not have an existing M&E system for urban transport data collection, the incremental cost of such data collection is envisaged to be minimal and will be supported through the Bank loan allocated for institutional strengthening. Further details on the methodology of data collection are provided in Annex 3.

C. Sustainability

During project preparation, HAP, Mengzi City and Jianshui County have provided full support to applying good practices of road safety improvement and public transport priority to the local context, and exhibited strong commitment to achieving the PDO. Moreover, the GoC recently promulgated several national policies on public transport priority, non-motorized transport (NMT) promotion as well as road safety improvement, which are the focus of the project. The local government of HAP is determined to follow the GoC's policy guidance.

Nevertheless, sustainability of the project outcomes at a city-wide level depends on whether the improvements in the selected corridors/areas can be replicated to the whole city. The project investments are relatively small compared to the overall infrastructure development program of Mengzi and Jianshui. Therefore the project selected only a handful of corridors for ICM improvement and schools for school transport safety improvement. It is envisaged that these pilot demonstrations will generate significant impact, thus encouraging HAP to replicate the approach to other parts of the prefecture rather than returning to a "car-oriented" mentality. It is also envisaged that the local agencies will acquire knowledge and skills for urban transport planning and management through project implementation and capacity building programs under the project, and develop the capacity for implementing the ICM approach and school transport safety improvements under their own investment projects.

Sustainability of the public transport system will depend largely on ensuring a strong business approach and clear institutional structure between the governments and the bus companies. Technical assistance, which is expected to commence prior to loan effectiveness, will help both Mengzi and Jianshui to evaluate and strengthen the business plans and concession agreements for bus service provision.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	x	
Natural Habitats OP/BP 4.04		x
Forests OP/BP 4.36		x
Pest Management OP 4.09		x
Physical Cultural Resources OP/BP 4.11	x	
Indigenous Peoples OP/BP 4.10		x
Involuntary Resettlement OP/BP 4.12	x	
Safety of Dams OP/BP 4.37		x
Projects on International Waterways OP/BP 7.50		x
Projects in Disputed Areas OP/BP 7.60		x

Comments (optional)**VII. Contact point****World Bank**

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